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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

August 5, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF A RESPIRATORY CARE SERVICES AGREEMENT WITH SYMPHONY
RESPIRATORY SERVICES, INC. (2nd District) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign the attached agreement with Symphony Respiratory Services, Inc., a wholly-owned subsidiary of Leucadia Symphony, Ltd. (Symphony), for the provision of respiratory care services at Martin Luther King, Jr./Charles R. Drew Medical Center, effective on September 1, 2004 through August 31, 2007, with provisions for two one-year renewals through an administrative amendment between the Director of Health Services, or his designee, and Symphony, effective September 1, 2007 through August 31, 2009, at an annual maximum net County cost of \$3,400,000, which includes \$3,297,978 for up to 45,000 procedures in any given month and a \$102,022 contingency fund which may only be used in the event additional procedures are required.
2. Make a finding that respiratory services, as described herein, may be performed more cost effectively by private contractors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

In approving the recommended actions, the Board is providing for the uninterrupted provision of respiratory care services at Martin Luther King, Jr./Charles R. Drew Medical Center (King/Drew), by Symphony which was selected as the result of a Request for Proposals (RFP) competitive selection process.

The existing agreement is slated to expire on August 31, 2004.

The County has been contracting out respiratory care services under provisions of County Code 2.121.250 et. seq., "Contracting with Private Businesses" (Proposition A), since April 1989. Contracting under Proposition A guidelines continues to be cost effective and operationally feasible for the provision of respiratory services.

The County has guidelines for the timely submission of contracts for Board approval. However, the Department of Health Services (DHS or Department) was unable to submit the recommended agreement three weeks in advance of the effective date, as required under the policy, because contract negotiations have only recently been finalized with Symphony.

FISCAL IMPACT/FINANCING:

The County cost for respiratory care services at King/Drew is \$3,297,978 per year or \$274,831 per month, for between 35,000 and 45,000 procedures a month. In the event Contractor provides less than 35,000 procedures in any given month, County shall be entitled to a cost reduction based on Contractor's cost savings. In the event County requires more than 45,000 procedures in any given month, the per procedure overage shall be \$9 per procedure. In addition to the maximum obligation, the agreement provides for a \$102,022 contingency fund to be used only when the monthly allotment of procedures must be exceeded, due to unusual circumstances, such as a particularly severe flu season. Thus, the total maximum contract sum is \$3,400,000 for a twelve month period.

The Auditor-Controller has reviewed and approved DHS' cost analysis showing that the agreement is cost effective. DHS has indicated that because they would incur additional cost if they had to provide more than 45,000 procedures in a month, the Agreement should still be cost effective if the contingency fund is used. However, because the amount of additional services that may be needed cannot be predicted, the actual cost savings may be different from the projection.

The Agreement provides for an annual cost-of-living adjustment contingent upon the availability of funds at County's sole discretion, by using the average salary percentage movement granted to County employees or the Consumer Price Index - All Urban Consumers (CPI-U) increases, whichever is less, but in no event shall the budget adjustment exceed five percent. If the CPU declines, the annual amount shall remain the same for the following year. Approximately 480,000 respiratory care procedures will be provided on-site at King/Drew annually.

Funding for this Agreement is included in the Fiscal Year (FY) 2004-05 Adopted Budget and will be requested yearly in future fiscal years, as a continuing appropriation. There is no other net County cost associated with this action.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On June 28, 1994, the Board approved Agreement No. 67626 with Integrated Health Services, Inc. (Integrated), effective July 1, 1994 through December 31, 1999, for the provision of clinical, emergency, and diagnostic respiratory care services to all inpatients and outpatients of King/Drew who have respiratory diseases.

Amendment Nos. 1 through 8 to Agreement No. 67626 were approved by the Board to extend the term of the agreement through February 29, 2004, to continue the provision of respiratory care services and provide DHS with additional time to complete the competitive selection process.

On March 25, 2003, the Department released an RFP for respiratory care services at LAC+USC Healthcare Network Women's and Children's Hospital and King/Drew. By the proposals' submission deadline on May 30, 2003, only Symphony had submitted proposals for both medical facilities.

On December 2, 2003, the Board approved a Consent to Assignment of Respiratory Care Services Agreement Nos. 67626 and 71840 from Integrated to Leucadia Symphony, Ltd. (Leucadia).

In November 2003, the Department received the validated summary of estimated avoidable cost for King/Drew from the Auditor-Controller.

On February 17, 2004, the Board approved Amendment No. 9 to Agreement No. 67626 to extend the term of the agreement, effective March 1, 2004 through August 31, 2004, to give the Department additional time to complete contract negotiations with Symphony and submit the final agreement for respiratory care services at King/Drew.

The recommended replacement agreement will be effective on September 1, 2004 through August 31, 2007, with provisions for two one-year automatic renewals through an administrative amendment between the Director and Symphony, effective on September 1, 2007 through August 31, 2009, at an annual maximum cost of \$3,400,000, net County cost.

Symphony fully complies with the requirements of the Living Wage Program (County Code Chapter 2.201) by paying its full-time employees providing services under the agreement a living wage.

Under the current agreement, Symphony provides full respiratory care services at King/Drew. Under the new agreement, Symphony will continue to provide full respiratory care services; therefore, County staff will not be impacted by the new agreement.

Symphony will continue to accept referrals of County employees from the County's Human Resources staff throughout the term of the new agreement.

The agreement may be terminated at any time by the County by providing a 30-day advance written notice to the contractor.

The agreement includes the latest provisions regarding compliance with the jury service program, safely surrendered baby law, and payment by County for services rendered after the expiration/termination of contract.

Contract monitoring functions will be performed by King/Drew's staff.

Attachments A, B, C, and D provide additional information.

The agreement has been approved as to form by County Counsel.

CONTRACTING PROCESS:

County Counsel and the Chief Administrative Office - Risk Management Operations approved the issuance of the RFP, which the Department released on March 25, 2003. The Department advertised the RFP on the Office of Small Business' Countywide Web Site and in local newspapers in March 2003.

Although representatives from three respiratory care providers attended the mandatory proposers' conference, only Symphony submitted a proposal for King/Drew.

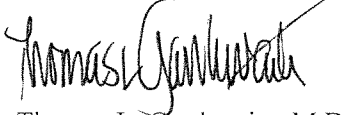
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IMPACT ON CURRENT SERVICES (OR PROJECTS):

The recommended agreement will continue the provision of respiratory care services at King/Drew, effective on September 1, 2004 through August 31, 2007, with provisions for two one-year renewals through an administrative amendment between the Director and Symphony, effective September 1, 2007 through August 31, 2009.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas L. Garthwaite", with a stylized flourish at the end.

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:dz

Attachments (4)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor Controller

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SUMMARY OF AGREEMENT

1. TYPE OF SERVICE:

Respiratory Care Services at Martin Luther King, Jr./Charles R. Drew (King/Drew) Medical Center.

2. AGENCY ADDRESS AND CONTACT PERSON:

Symphony Respiratory Services, Inc., a wholly-owned subsidiary of
Leucadia Symphony, Ltd.
27853 Twilight Court
Murrieta, California 92563
Attention: Ken Wieck, Regional Vice President
Telephone: (951) 461-1864 / Facsimile (FAX): (951) 461-1874

3. TERM:

The recommended agreement will become effective on September 1, 2004 and continue through August 31, 2007, with provisions for two one-year renewals through an administrative amendment between the Director and Symphony, effective September 1, 2007 through August 31, 2009.

4. FINANCIAL INFORMATION:

The maximum annual expenditures are \$3,300,000, net County cost.

5. PROGRAM INFORMATION:

The new agreement will continue the provision of respiratory care services at King/Drew.

6. ACCOUNTABLE FOR CONTRACT MONITORING:

King/Drew's administrative staff is responsible for monitoring the contract program.

7. APPROVALS:

King/Drew Medical Center:	Dave Runke, Interim Chief Executive Officer
Contract Administration:	Irene Riley, Director
County Counsel (approval as to form):	Christina A. Salseda, Deputy County Counsel

**RESPIRATORY CARE SERVICES FOR
MARTIN LUTHER KING, JR./CHARLES R. DREW MEDICAL CENTER**

PROPOSITION A CONTRACTING

COMPARISON OF ESTIMATED AVOIDABLE COSTS TO THE COST OF CONTRACTING

	<u>COUNTY</u>	<u>TOTAL</u>	<u>COST INCREASE/ (DECREASE)</u>
<u>DIRECT</u>			
SALARIES	\$2,657,321		
EMPLOYEE BENEFITS	<u>871,521</u>		
TOTAL PERSONNEL COSTS	\$3,528,842	\$3,528,842	
SERVICES AND SUPPLIES	<u>\$ 0</u>		
OTHER	<u>\$ 0</u>		
TOTAL DIRECT		\$3,528,842	
<u>INDIRECT (1)</u>			
TOTAL OVERHEAD	<u>NA</u>		
AVOIDABLE OVERHEAD	<u>NA</u>		
TOTAL AVOIDABLE COST		<u>\$3,528,842</u>	\$3,528,842
	<u>CONTRACTOR</u>		
<u>DIRECT</u>			
CONTRACT COST	\$3,297,978		
OTHER (SPECIFY)			
TOTAL DIRECT		\$3,297,978	
<u>INDIRECT</u>			
EMPLOYEE RETRAINING			
CONTRACT MONITORING			
OTHER (Overage Costs)	<u>\$ 2,022</u>		
TOTAL INDIRECT		<u>\$ 0</u>	
TOTAL CONTRACTOR COST		\$3,300,000	<u>\$3,300,000</u>
ESTIMATED ANNUAL SAVINGS FROM CONTRACTING			<u>\$ 228,842</u>

(1) Indirect Overhead does not apply to re-solicitations.

CONTRACTING FOR RESPIRATORY CARE SERVICES

Compliance with County Code Requirements

The agreement meets all of the following mandatory requirements of County Code Section 2.121.250, et seq.

- (a) The award of the contract will be cost effective;
- (b) The County's ability to respond to emergencies will not be impaired;
- (c) The award of the contract will not result in the unauthorized disclosure of confidential information;
- (d) Alternative resources are available so that the services can be obtained from another source in the event of default by the contractor;
- (e) The award of the contract will not infringe upon the proper role of the County in its relationship to its Citizens;
- (f) The award of the contract will be in full compliance with all applicable Federal and State regulations;
- (g) Implementation of the contract will not result in a reduction in County services; and
- (h) The award of the contract will not violate the provisions of County Code 2.121.295, "Certain Contracts Prohibited".

The agreement also contains provisions recommended by the County CAO-Risk Manager Operations to cover the County's potential tort liability. The Contractor will provide evidence of the required insurance coverage prior to the commencement of services.

Participation in the contracting process by minority vendors was solicited by advertising in the Office of Small Business' Countywide Web Site, local newspapers such as the Los Angeles Sentinel, Eastern Group newspapers, and Rapid Publishing which represents five south Los Angeles newspapers, and distributing notices by mails to firms listed on the department's proposers' list.

Selection for award of the contract was made without regard to race, creed, or color.

PROPOSITION A CONTRACTING**CONTRACT EMPLOYEE WAGES AND BENEFITS**

The proposed contract would reduce the County's cost to provide respiratory care services by an estimated \$230,864 per year, based on Auditor-Controller guidelines for cost comparisons. Additional information on contract employees' wages and benefits is provided below.

COMPARISON OF WAGES

<u>Position</u>	<u>County</u>	<u>Contractor</u>
	\$ /hr	\$ /hr
Department Manager	39.80	38.00
Head Respiratory Care Practitioner	30.05	28.00
Supv. Respiratory Care Practitioner	27.77	23.00
Respiratory Care Practitioner II	24.91	22.00
Respiratory Care Technician	18.72	17.00
Secretary	20.08	19.00

CONTRACTOR EMPLOYEE BENEFITS

<u>Benefit</u>	<u>Contractor</u>
Health Plan	Yes
Retirement Plan	Yes
Dental Plan	Yes
Holidays	11 days/yr.
Sick Leave	6 days/yr.
Vacation	20 days/yr.
Life Insurance	Yes

Other:

Basic Accidental Insurance: Company paid.

Supplemental Accident Insurance: Employee paid.

Short Term Disability (STD): Employee paid.

Long Term Disability (LTD): Company Paid.

401(K) Plan: Voluntary employee contributes/Company discretionary matching contribution.

Business Travel Insurance: Company Paid.

Employee Assistance Program: Company Paid. Three (3) assessment and/or referral sessions for employee and family members per calendar year.

Personal Leave of Absence: Unpaid. Maximum length is six months. Medical Leave of Absence: Unpaid. Maximum length is one year.

Jury Duty Leave: Employee's earnings as a juror are supplemented to equal his/her regular base earnings for the required length of jury duty.

Bereavement Leave: Company paid. Three days (24 hours) paid leave when death occurs in the immediate family.

Military Leave: Unpaid. Each employee is entitled to be reinstated in accordance with applicable federal law (Chapter 43 of Title 30, United States Code).

Family Leave: Unpaid. Family Leave can be requested for a maximum of six months to care for an immediate member of the family who is ill, or to take care of a child or adopted child.

Workers Compensation: Company paid. Provides medical and disability insurance coverage for employees who are injured on the job or become ill due to job-related exposure to hazardous substances.

Tuition Reimbursement: Company pays up to \$1,000 per calendar year for undergraduate work, and \$1,500 per calendar year for graduate level courses.

Seminar Reimbursement: Payments of maximum allowable.

Contractor Health Plan Information

- (1) Health Insurance and Prescription Drug Plan through Blue Cross/Blue Shield and Medco Health Solutions respectively - Partially employee paid.

The Plan pays benefits for employees and covered dependents for medical expenses due to sickness or accidental injury. There are three plan options. All Plans pay reasonable and customary charges for covered services. A Prescription Plan is included in the cost of the Medical Plan.

- (a) Maximum Lifetime Benefit:

- Substance Abuse \$10,000
- All other services \$1,000,000

(b) Premiums:

- Employee Only \$31 to \$75 depending on the plan selected
- Family Coverage \$103 to \$245 depending on the plan selected

(c) Maximum Annual Out-of-Pocket Expense

- Employee Only \$1,000 to \$1,500 depending on the Plan selected
- Family Coverage \$3,000 to \$4,500 depending on the Plan selected

(2) Dental Insurance through Aetna, Inc. - Partially employee paid.

IHS offers two Dental Plans. The Plan pays for preventive, diagnostic, fillings, simple extractions, endodontics, complex oral surgery, periodontics, major restorations, and orthodontics for eligible employees and their dependents. Following is a synopsis of the Plans:

(a) Annual Maximum Benefit:

No maximum (DMO)/\$1,500 PPO

(b) Premiums:

- Employee Only \$6.71 to \$10.24 depending on the plan selected
- Family Coverage \$22.61 to \$34.49 depending on the plan selected

(3) Vision Plan through Vision Service Plan - Partially employee paid.

The Plan pays for exams and lenses on an annual basis. Frames are covered every two years. Laser vision is provided at a discount.

Premiums:

- Employee Only \$2.50
- Family Coverage \$6.49

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